



OVERVIEW OF U.S. POLICY TOWARD LATIN AMERICA

HEARING BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
U.S. HOUSE OF REPRESENTATIVES
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***** As Prepared for Delivery *****

Good morning, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to testify again before you. Mr. Chairman, we greatly appreciate your ongoing leadership on these important issues. You are a strong voice for the region and we look forward to working with you closely again in the 111th Congress. Mr. Mack, we congratulate you as the new Ranking Minority Member even as we thank Mr. Burton for his past leadership. We also look forward to continuing our strong relationship with you.

This is a timely and important hearing. There is a tremendous opportunity in the coming weeks and months to work with willing hemispheric partners in pursuit of a mutually beneficial agenda. A spirit of goodwill and cooperation with the United States exists across much of the hemisphere. Exceedingly high expectations must be managed on all sides, but nonetheless now is the time to take concrete steps to build the agenda.

Priorities for the Hemispheric Agenda...

The first, most obvious point must not be overlooked. The best way to assist the hemisphere at this point in time would be to fix the US economy, resisting any understandable but ultimately self-defeating impulses toward trade and investment protectionism. If the current economic crisis has proven anything, it's that Latin America remains dependent on the United States for its own well-being, both directly, through trade and investment flows with the United States, and indirectly, through commodities exports to Asia which are then used as inputs for Asian exports to the United States. Regardless of politics or ideology, the region remains hungry for investment from the United States and trade with the United States. Were we to do nothing else, restoring the US economy while doing everything possible to keep markets open and investment flowing would do the most to return much of Latin America to pre-crisis growth levels.

Of course, there is much additional work that can and should be done. The Fifth Summit of the Americas, to be held in April in Port of Spain, Trinidad and Tobago, will be a prime opportunity to consider an agenda for renewed hemispheric growth and regional development. The Summit will be the first opportunity most hemispheric leaders will have to meet and take measure of the new US President, providing the United States with an important vehicle to signal the tone and substance of its evolving hemispheric plans, as well as to listen to the desires and concerns of the rest of the region. With this in mind, the Americas Society/Council of the Americas has issued a major working group report entitled, "Building the Hemispheric Growth Agenda: A New Framework for Policy." The report lays out several priorities for the Summit, which can form a sound basis looking ahead for broader policy in the Americas. These priorities include, among other things, financial recovery and well-being, energy security and climate change, microeconomic reforms, and capacity building and workforce development. More broadly, the United States must also place special emphasis on engaging more actively and creatively with Brazil as an emerging global actor. We must also do a better job in nurturing the complex relationship with Mexico, perhaps our most urgent task within the cacophony of other competing priorities.

...Within the Reality of Global Economic Stress

Mr. Chairman and members of the Subcommittee, the reality of the economic crisis that began in the United States is now sinking in across the Americas. Repercussions will almost certainly be broader and deeper than originally anticipated, as commodities from agriculture to oil to zinc take a beating. This could have profound implications. Democracy remains the accepted organizing framework for hemispheric governance, but anti-democratic steps in some countries are proving worrisome. To the extent populations become restless for improved economic conditions and a newly emerging middle class is squeezed, fragile democratic institutions could come under added strain. Despite our efforts to build democracy elsewhere around the world, we cannot be complacent about matters closer to home.

Even before the economic crisis hit, roughly a third of the region's population was living in poverty. Some governments, like those in Brazil, Chile, Colombia, and Peru, were making solid progress reducing poverty and building a stable middle class. Other countries were stagnating as populist policies overwhelmed sound economics. Now, as the global crisis deepens, prospects have deteriorated for a region that still, despite years of badgering by economic development specialists, continues to rely primarily on global commodities markets for growth.

The development of a new hemispheric growth agenda is critical. In the immediate run, a focus on access to credit, trade finance, and infrastructure development will help keep hemispheric economies from seizing up. Economic stimulus programs can also be considered, although given Latin America's history with hyperinflation, governments and central banks will need to be ever-vigilant about overly-permissive fiscal and monetary policies. Over the longer term, education and workforce development issues, infrastructure, and the rule of law must also be addressed.

Open markets also hold a key to economic recovery and longer term growth and job creation. As we saw in the aftermath of the Mexico peso crisis in the mid-1990's, keeping markets open, in Mexico's case as a direct result of NAFTA, contributes significantly to quicker, more robust recovery. On the other hand, protectionist measures deepen recessions and throw even more people out of work on all sides. As an aside, it goes without saying that the President would go to Trinidad and Tobago with a much stronger hand on these issues—and overall—if we were to pass quickly one or both of the trade agreements we have pending in the region.

Further Priorities for the Administration and Congress

More broadly, the President's desire for an Energy Partnership for the Americas is just the sort of game changing issue that the hemisphere has been crying out for, where we can develop an agenda with our neighbors in Canada, Latin America, and the Caribbean, based on pragmatism and mutual self-interest. It's also consistent with our own domestic agenda. Energy impacts every nation in the Americas. Finding a path forward to increase supply of traditional and non-traditional energy, encourage conservation, and build a coordinated regional approach to global climate change would be a significant contribution to the hemispheric agenda, as well as to our own daily lives.

Second, the emerging US-Brazil relationship is one that should be prioritized. Several steps could quickly be pursued, among them inviting Brazil to join the G8, but in any event Brazil is a nation that cannot be taken for granted, either in the hemispheric or the global context. In particular, Brazil's emerging superpower profile on traditional and non-traditional energy and environmental issues, along with its active and constructive participation in the global nuclear non-proliferation regime, point to prospects for heightened cooperation on energy and global climate change issues. Trade and investment policy and international peacekeeping operations, among others, are also areas where cooperation should continue to be pursued.

Yet even as we look to Brazil, we must not overlook Mexico. The reality is that US relations with Mexico will always be the most intensive and complex of all our relations with Latin America. These relations must be actively nurtured; when they are not, they deteriorate. President Calderon's courageous actions against the illegal cartels have provoked a predictable, violent backlash. The sad reality is that much of the firepower fueling this downward security spiral, in addition to the demand for the illegal drugs and other products in the first place, comes from the United States. The threat to Mexico is real, and threats to Mexico are threats to us. We cannot ignore them or wish them away. Therefore, even during difficult economic times, I would urge continued, full support for the Merida Initiative, which you Mr. Chairman have championed. I also want to commend you for your leadership on border affairs, including weapons trafficking and border infrastructure. To be blunt, the border must work better to facilitate legitimate cross-border exchange, while serving as a more effective check on illegal activities.

Addressing these issues first would help establish a broader framework for a successful agenda in the Americas. I look forward to the opportunity to respond to your questions.